



Robert G. Leo, Jr.
Attorney

March 18, 1998

David S. Guzy, Chief
Rules and Publication Staff
Royalty Management Program
Minerals Management Service
P.O. Box 25165
M/S 3101
Denver, Colorado 80225-0165



Amoco Corporation

Law Department
Amoco Building
1670 Broadway
Post Office Box 800
Denver, Colorado 80201
303-830-4386
Fax: 303-830-4160

**Re: Mineral Management Service Oil Value - Supplementary Proposed Rule
February 6, 1998 Federal Register**

Dear Mr. Guzy:

Amoco Production Company ("Amoco") appreciates the opportunity to comment on the MMS' February 6, 1998 Federal Register Supplementary Proposed Rule concerning establishing oil value for royalty due on Federal leases. As a producer of significant quantities of onshore and offshore oil, Amoco has a significant stake in the outcome of this rulemaking.

Amoco has had representatives in attendance at your workshops in Denver and Houston to discuss this Proposed Rule. In addition, we have been involved in the preparation of several association comments. Amoco has, through this comment process, participated in the preparation of separate comments filed by the American Petroleum Institute ("API") and Council of Petroleum Accountants Society ("COPAS"). Amoco supports the comments of these associations. We would also incorporate previous comments made to you concerning previous Federal Crude Oil Valuation proposals in my letter dated November 4, 1997.

AMOCO PRODUCTION COMPANY

By: _____

Robert G. Leo, Jr.
Robert G. Leo, Jr.

cc: Mary Stonecipher
Dave Ioder

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Robert G. Leo, Jr.
Attorney

Amoco Corporation

Amoco Building
1670 Broadway
Post Office Box 800
Denver, Colorado 80201-0800
303-830-4386
E-Mail: rgl@amoco.com
Fax: 303-830-4160

April 2, 1998

David S. Guzy, Chief
Minerals Management Service
Royalty Management Program
Rules and Procedures Staff
U.S. Department of the Interior
P.O. Box 25165
M/S 3101
Denver, Colorado 80225-0165



**Re: Comments on MMS Supplementary Proposal on Valuation of Crude Oil
Produced on Federal Leases 30 CFR 206, 63 FR 6113 (February 6, 1998)**

Dear Mr. Guzy:

Amoco Production Company ("Amoco") appreciates the opportunity to comment on the latest MMS February 6, 1998 Proposed Rule appearing at 63 FR 6113. As a producer of oil and gas from Federal leases both onshore and offshore, Amoco has a significant stake in the outcome of this rulemaking. Amoco has participated actively in the public hearings in Houston and Denver on this subject. In addition, it has participated in the preparation of comments to be submitted by the American Petroleum Institute ("API") and Patsy Bragg's Ad Hoc MMS Oil Valuation Rulemaking Group.

Amoco would also make the following comments:

Your February, 1998 proposal employs a different approach for three geographical regions. Amoco is a large company which operates both onshore and offshore and this will necessitate the creation of parallel and different administrative systems which will add little, if any, value to the royalty collection process. This suggests that the MMS should abandon its three-region approach and instead, revise its existing regulations to include a non-prioritized array of suitable benchmarks flexible enough to accommodate different transactional settings while arriving at the "value of production" at the lease.

The proposed definition of "affiliate" excludes many bona fide arms-length transactions from the application of gross proceeds. The MMS should retain the existing regulations' definition of "arms-length contract" and "affiliate."

For the Rocky Mountain Region, use of the ordered benchmark array (unworkable tendering program, volume weighted average gross proceeds and NYMEX indices) is problematic. For the areas outside of California, Alaska and the Rocky Mountain Region, the reliance on spot prices ignores the fundamental shortcomings of spot prices for valuation of crude oil. The shortcomings of spot prices has been well documented in previous comments to the MMS.

The MMS should allow reasonable deductions for enhancing the value of gas in order to arrive at the "value of production" at the lease.

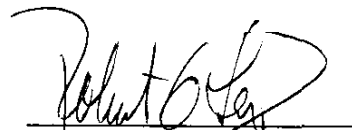
The MMS should undertake a fundamental revision of its proposed valuation procedures to eliminate its vague and uncertain requirements and offer meaningful guidance and determinations that can be relied upon by lessees.

The MMS should focus on the "value of production" at the lease and eliminate unnecessary downstream tracing requirements.

The MMS should strongly consider as a resolution to the multitude of valuation issues which necessitate an unnecessary and unreasonable administrative burden, the support and adoption of a mandatory Royalty In-Kind Program for federal royalty.

Thank you very much for your consideration of these comments.

Very truly yours,


Robert G. Leo, Jr.

RGL/mmm

bcc: M. E. Poehl - 1160, Denver
B. M. Baumann - 1154, Denver
P. M. Mueller - 1144, Denver
D. E. Ioder - 340W3, Houston
T. R. Weisensel - 340W3, Houston
W. J. Noble - 2002, Chicago
M. L. Homeyer - 5.144, Houston
T. J. Medaglia - Washington, D.C.
M. J. Stonecipher - S.1338, Tulsa
P. K. Colomb - 813, New Orleans
G. L. Paulson - 3.199, Houston
R. S. McGee - Denver